

Memorandum

Date: July 9, 2002
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To : Robert Pernell, Presiding Member
William Keese, Associate Member

: California Energy Commission - James W. Reede, Jr.
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Subject : **EL SEGUNDO POWER REDEVELOPMENT PROJECT STATUS REPORT
#5**

Since the Committee issued its revised schedule on June 5th, the applicant has provided a revised visual enhancement proposal. The revised proposal was subject of a workshop held on June 26. The applicant plans to submit a final version of this proposal in early July, including a revised draft Storm Water Pollution Prevention Plan, the final Project Description and other revisions based on feedback it has received.

Staff issued a Preliminary Draft Alternative Cooling Options Report on June 17. The report was also a topic at the June 26 workshop. Staff is scheduling a technical workshop with staff of the Hyperion Treatment Plant for July 17 to further refine the Alternative Cooling Options Report.

The applicant has agreed to a one-month delay of the issuance of the Supplement to the Staff Assessment until August 22, 2002. (The Committee Schedule currently calls for the Supplemental Staff Assessment to be released on July 22, 2002.) This stipulated schedule extension will enable staff to incorporate the information from the applicant's final visual enhancement proposal into various sections of the Supplement and to finalize the cooling report. The applicant also intends to use this time extension to address and attempt to resolve other remaining issues. However, we must note that we are uncertain when we will receive the transmission systems information and so consequently are not sure that we will be able to publish by 8/22.

Staff has worked diligently toward completion of the Supplement to the Staff Assessment and has completed most sections requiring additional testimony. The issues that remain are discussed below.

LAND USE

On April 24, 2002, the State Lands Commission informed staff that the 49-year lease for the El Segundo ocean-cooling intakes and outfalls 001 & 002 expires on October 26, 2002. As of July 3, the applicant had not filed a lease renewal request.

BIOLOGICAL RESOURCES

The supplement to the Biological Resources Staff Assessment section is in final review. However, the issues concerning the aquatic biological impacts and the need for a 316(b)-like study remain unresolved. Consequently, staff lacks information essential to completing its analysis, and staff continues to believe that the results of a 316(b) study are still necessary to appropriately evaluate the project's impacts.

The National Marine Fisheries, California Coastal Commission and the California Department of Fish and Game filed letters in June opposing the use of seawater once-through cooling until the impacts can be determined through a 316(b)-like study.

Due to staff's concerns over the lack of valid 316(b)-like study results to support the applicant's claim that continued use of once through cooling will not result in significant impacts, staff began an Alternative Cooling Options Study that identified potentially feasible methods to lessen or eliminate the potential aquatic biology impacts altogether. Staff filed a draft of this report on June 17 for review and comment. As a result of the study, comments and discussion, the focus has narrowed to a review of one of the three options and a follow-up workshop is tentatively planned for July 17.

Staff remains willing to delay publication of the Biological Resources section of the Supplement to the Staff Assessment pending the outcome of a 316(b)-like study.

AIR QUALITY

The Final Determination of Compliance (FDOC) was issued February 14, 2002. Staff has completed their supplement to the staff assessment and at this point is unable to recommend approval of the project due to the significant and unmitigated PM10 emissions impacts. Impacts that have not been resolved include:

1. Direct project PM10 impacts stemming from the implementation of a seldom-used SCAQMD Rule 1304. Rule 1304 allows exemption from standard district offset rules when there is a replacement of a utility boiler with a combustion turbine. This rule requires the applicant to only offset 45% of their emissions based on the increase of capacity. This exemption however, does not abrogate the Energy Commission's CEQA certification responsibilities;
2. Cumulative PM10 impacts stemming from the ESGS project and the adjacent Chevron Refinery MTBE cracking unit change-out and upgrade. The Chevron project is due to the MTBE ban implementation and ethanol changeover and also does not have full mitigation; and
3. The projections and high potential of secondary PM10 generation from an excess of unmitigated SOx emissions.

VISUAL RESOURCES

There is one visual resource issue outstanding. The Coastal Commission made a finding at its March meeting that the plant site area is visually degraded, and that the project is inconsistent with the Coastal Act. This required the Applicant to enhance the visual quality of the project.

The Applicant submitted a revised Visual Enhancement Proposal on June 17. Staff held a workshop in El Segundo on June 26. The revised proposal addressed the concerns of staff and intervenors. While the Coastal Commission still has a remaining concern as expressed in letters of June 10 and June 28, the concern now appears resolvable. The Coastal Commission has not yet scheduled a hearing to determine the consistency of the revised visual enhancement proposal nor of the remaining issues with the Coastal Act.

Staff anticipates that these visual issues will be resolved when the Applicant files its final visual enhancement proposal.

NOISE

The applicant has expressed a willingness to perform a 30-day ambient noise level monitoring survey at the project site. Staff will send the applicant the proposed Condition of Certification in the near future to enable them to perform the survey during the summer months of July and August.

SOIL AND WATER

The Staff Assessment identified the need for the ESPR to conform with California Water Code section 13550, which requires the use of reclaimed water where available. Based on the outcome of the Alternative Cooling Analysis currently under review, the issues may change relating to reclaimed and potable water usage. Staff will revisit the project design to determine compliance.

TRANSMISSION SYSTEMS ENGINEERING

In December of 2001 the California ISO requested that SCE perform a new Facilities Study for the project due to a number of proposed projects in the queue ahead of ESGS dropping out. During that restudy, an additional project dropped out of the interconnection queue and the Applicant was asked to pay for an additional study even though the restudy had not been completed. The Applicant asked for the Energy Commission staff to help resolve the issues with SCE, which we have done. We are continuing to work with SCE and the applicant, but that they need to come to agreement before SCE can conduct the study. Until the issue of the Facility Studies is resolved staff can not complete its analysis or the Supplement to the Staff Assessment.

SCHEDULE

Three unresolved issues warrant a delay in the schedule. The applicant will be submitting the final visual enhancement proposal in early July that also includes the draft SWPPP and landscaping concept plan. Transmission issues are still unresolved between the Applicant and SCE. Finally, staff is working with the applicant, other parties and agencies to finalize the cooling options study. While the applicant has agreed to a one-month delay in filing the Supplement to the SA to allow time to address these issues, staff will need an additional three weeks after the transmission facilities study is released to issue the Supplement. Release of the transmission facilities study may not occur until sometime in late August or early September.

Community and Agency Interest: The ESPR project is being closely followed by the beach communities of El Segundo and Manhattan Beach. About 50 members of local neighborhoods have attended the public workshops held in the past.

cc: El Segundo Proof of Service